

**MINUTES OF THE MEETING  
OF THE BOARD OF DIRECTORS  
OF THE DEPARTMENT OF WATERWORKS**

**DATE: NOVEMBER 18, 2002**

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The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") was called to order by John Mutz, Chairperson of the Board at 5:00 p.m. in the Public Assembly Room of the City-County Building, 200 E. Washington Street, Indianapolis, Indiana. The following Board members were present: Barbara Howard, S. Michael Hudson, Alan Kimbell and John Mutz. On the advice of the Board's counsel, Chairperson Mutz announced that a quorum had not been established and that the meeting would recess until a quorum could be met.

Chairperson Mutz called the meeting of the Board to order at 5:16 p.m. The following Board members were present: Barbara Howard, S. Michael Hudson, Alan Kimbell, Samuel L. Odle and John Mutz. Chairperson Mutz on the advice of board counsel stated that a quorum had been met.

Chairperson Mutz recognized Mr. Kimbell. Mr. Kimbell recognized former employees of the Indianapolis Water Company ("IWC"). Chairperson Mutz recognized the employees and stated that upon the advice of counsel and in light of the current litigation addressing the employees' matters, the Board would not be able to address specific matters in that litigation during the Board's meeting.

**I. Approval of the Minutes of October 21, 2002**

Chairperson Mutz asked for questions or comments from the Board concerning the minutes of the meeting of the Board as set forth in Exhibit A, attached hereto and made a part hereof ("Minutes"). A motion was made and seconded to approve the Minutes. The Board unanimously approved the Minutes.

**II. Financial Report of the Controller**

Mr. Robert Erney, Financial Manager of the Department, read the financial report of the Controller as set forth in Exhibit B, attached hereto and made a part hereof ("Financial Report").

Mr. Odle asked if a prior year comparison was available for aging receivables. Mr. Erney stated no. Mr. Odle suggested that USFilter Indianapolis Water, LLC ("USFIW") maybe able to provide comparisons with other similar sized utilities.

Chairperson Mutz asked if the payment from USFIW for the sale of Utility Data Corporation ("UDC") assets are included in the Financial Report. Mr. Erney stated no and that those funds should be in next month's report.

### **III. Report of USFilter Indianapolis Water, LLC**

Mr. James H. Buckler, Operations Manager of USFIW read the report of USFIW as set forth in Exhibit C, attached hereto and made a part hereof (“USIFW Report”).

Mr. Buckler introduced Jacklyn Groth as the newly retained Vice President of Finance and Accounting of USFIW.

Mr. Kimbell asked if USFilter intends to change healthcare coverage given that Clarian no longer accepts CIGNA insurance coverage. Mr. Buckler stated Clarian is contacting physicians to determine if physicians in the Clarian group can continue to serve under CIGNA coverage.

Mr. Kimbell asked if someone requires emergency treatment and the closest facility is a Clarian facility would that individual be taken to a Clarian facility. Mr. Buckler responded that he did not recall the facts on that matter. Mr. Kimbell asked that Mr. Buckler report to the Board on this matter at the next Board meeting.

Ms. Howard asked about the level of USFIW’s contributions to United Way. Mr. Buckler stated that per the management agreement USIFW must contribute \$425,000 on average within the first five years of the agreement. He added that given the funds set forth in the USFIW report and approximately \$400,000 additional funds contributed to the Children’s Museum and other entities USIFW is above that average. Ms. Howard asked what criteria USFIW uses to determine which entities receive contributions. Mr. Buckler responded that those contributions are made per the terms of the management agreement.

Chairperson Mutz stated that it would help if the Board could examine a comparison of prior contributions of IWC to those made by USFIW.

### **IV. Report of Director of Contracts and Operations**

Mr. Curry read the report of the Director of Contracts and Operations as set forth in Exhibit D, attached hereto and made a part hereof (“Operations Report”).

Mr. Odle asked about the cost to be a member of the American Water Works Association Research Foundation (“AWWARF”). Mr. Curry responded that IWC would have paid \$70,000 however that amount may lower due to the management relationship between USFIW and the Department. Mr. Odle asked if USFIW is a member. Mr. Curry responded affirmatively and added that a presentation by AWWARF may present matters that may suggest that the Department become a member. Mr. Hudson asked if some consideration as to membership cost would be considered given that USIFW operates the waterworks assets. Mr. Curry responded that something may be possible.

Following discussion on whether the Board has to make a motion to accept Mr. Curry's recommendation concerning statistical level of error for measuring sample data for incentive criteria agreed upon in the UDC transaction, Mr. Hudson stated that it appears that if the UDC transaction contemplated such statistical sampling discretion by staff then this matter should not be addressed by the Board. Chairperson Mutz stated that in the event there is an unusual practice that Mr. Curry should bring it to the Board's attention.

## **V. Presentation of Proposed 2003 Capital Budget**

Mr. Curry summarized the proposed 2003 capital budget as set forth in Exhibit E, attached hereto and made a part hereof (the "Proposed 2003 Capital Budget").

Chairperson Mutz recognized Beulah Coughenour's attendance at the Board meeting. Ms. Coughenour stated that over the past few years, NiSource, Inc. transferred sludge into the Department of Public Works' plants and NiSource subsequently promised to remit funds to the city of Indianapolis and that she would like to know if those payments were made. Robert Miller, consultant of USFIW, stated that by this year end USFIW will no longer be making such discharges due to capital improvements. He added that some payments have been made by NiSource but that he would have to report back to the Board as to the history of the payments.

Mr. Odle asked if the amount spent per service area is commensurate with water usage. Mr. Curry replied that he expects to conduct an analysis that accounts for water usage and number of customers. Mr. Odle asked if the funds spent for growth may be overlapped onto the service area. Mr. Curry stated that can be done.

Mr. Odle stated that under IWC ownership, some areas of Center Township were not connected to IWC service and asked if the Department is going to address this matter. Mr. Curry responded that almost every township has that concern and that they will be addressed when staff presents the five year capital plan in May 2003. Mr. Hudson asked if such activity Mr. Odle mentioned is similar to the capital improvements that are occurring in Ravenswood. Mr. Curry stated that is possible.

Mr. Hudson asked if it is appropriate to infer from the capital investment historical curve of the Proposed 2003 Capital Budget that significant underinvestment has occurred since 1999. Mr. Curry responded affirmatively.

Mr. Hudson asked if the proposed capital investments would comply with the Department's intention not to raise rates. Mr. Erney responded affirmatively.

Mr. Hudson asked for an explanation as to the approval process of capital projects. Mr. Curry responded that the budget will be submitted first. He added that in consultation with Corporation Counsel, the Controller and USFIW, the projects for the first quarter of 2003 will be submitted to the Board in December 2002. Mr. Curry added that the remaining capital projects will be submitted to the Board well in advance of the quarter in which work is scheduled to commence on those capital projects. Mr. Curry stated that if

other unanticipated capital projects arise the Department will have to address them at that time. Mr. Hudson asked if Mr. Erney will monitor the Department's capital spending to confirm that the amount spent meets the Department's bond covenants. Mr. Erney responded affirmatively.

Mr. Odle asked how the 2003 capital projects, which do not account for service gaps in the service area, received higher priority. Mr. Curry stated that the analysis centered on meeting the growth requirements that the Department must meet. Mr. Odle asked for an explanation on project groupings and allowances charts. Mr. Curry stated that allowances are an aggregate of smaller jobs.

Mr. Odle stated that as long as the capital projects are brought before the Board then the Proposed 2003 Capital Budget is fine. Mr. Odle asked if reserves are set aside for unforeseen projects. Mr. Erney responded no however as projects are brought to the Board, the funds obligated to projects that are not approved may be allocated to other unforeseen projects.

Mr. Odle asked when the Department would have an assessment concerning those areas that were not serviced by IWC. Mr. Curry stated that would occur in May 2003. Kobi Wright, Special Assistant Corporation Counsel, stated that he is currently researching whether Barrett Law funding may assist the Department to address the service area gaps in central Indianapolis.

Chairperson Mutz asked what occurred in 1997. Mr. Curry stated he did not have that information. Mr. Kimbell stated that 1997 was when NiSource acquired IWC and that he would guess that prior to that acquisition the investment amount was higher. Chairperson Mutz agreed. Chairperson Mutz stated that an analysis should occur to measure the investment as to revenue return and ability to met debt service concerns. Mr. Curry agreed and stated that something of that nature should be addressed in the formulation of a growth policy and in his presentation to the Board in May 2003.

Chairperson Mutz stated that in his prior utility experience, the utility had to address gaps in service in Buenos Aires, Argentina and that in order to justify addressing those gaps in service, the utility had to justify a seventeen year return on investment in the inner city. He added that he hopes that the city, Corporation Counsel and the Controller embrace such an analysis as part of the formulation of a growth policy.

Mr. Odle affirmed that concern and asked if the Department would be able to present such information for 2003 projects. Mr. Curry stated that he did not think the Department has that information available currently. Mr. Odle affirmed that the Board should examine what is the business rationale for these projects. Mr. Curry responded that the business rationale for 2003 is the momentum of commitments and infrastructure concerns that were acquired from IWC.

Mr. Odle asked Mr. Buckler if he had a voice in this matter, would he allocate capital spending commensurate with the Proposed 2003 Capital Budget. Mr. Buckler stated that

the projects set forth by Mr. Curry were part of the highest priority projects USFIW submitted in its five year plan. He added that he is comfortable with the Proposed 2003 Capital Budget.

Chairperson Mutz stated that given the age of the system, the public would likely demand that investments be made to sustain the system as the business rationale behind the investment.

## **VI. Resolution 51, 2002- Approval of 2003 Department of Waterworks Budget**

Mr. Erney summarized the proposed 2003 Department Budget as set forth in Exhibit F, attached hereto and made a part hereof. Mr. Kimbell asked if Mr. Erney could point out how the general administrative expenses are allocated. Mr. Erney responded that it is represented by nearly every line item indicated on page 3 and 4 of the 2003 Department Budget.

Ms. Coughenour asked for an explanation of the capital project budgeted amount. Mr. Erney stated it includes remaining net revenues, projected December 31st fund balances and Smarte Suite remediation costs.

Mr. Hudson stated that on a cash accounting basis, the Department is spending almost \$20 million more on capital projects than projected revenue. He added that in the future the Department will have to increase its revenue to meet capital spending needs. Mr. Erney agreed.

Mr. Odle stated that sales revenue for 2003 is \$103 million and this partial year about \$80 million for 8 months. Mr. Erney stated the Department will lose some revenue as result of the sale of UDC and third party contracts of UDC.

Mr. Kimbell asked what "Other Technical Services" are. Mr. Erney responded that the line item accounts for DLZ, Malcolm Pirnie and Shrewsbury & Associates and other consultant contracts. Mr. Kimbell asked what "Third Party Contracts" are. Mr. Erney stated those funds are for use by the Service Advisory Board.

Mr. Odle asked what "Water" is. Mr. Erney replied it is for water rights agreements entered into by IWC.

Chairperson Mutz asked for a motion to adopt Resolution No. 51, 2002. A motion was offered and seconded. Mr. Odle reiterated that as projects move forward that the Department's staff be tolerant of questions by the Board and commended the staff on the presentation of the 2003 Department Budget. Mr. Erney stated that he appreciates the questions.

Chairperson indicated no further discussion was necessary on the matter. The Board unanimously adopted the resolution.

## **VII. Resolution No. 52, 2002-Approval of Department of Waterworks Collection Policy**

Mr. Erney summarized Resolution No. 52, 2002. Ms. Howard asked how the Department arrived at the disconnect amount of \$35.00. Mr. Erney stated that the amount was used by IWC. Ms. Howard asked if a mechanism exists to provide for a second billing address for the elderly or those who've fallen ill. Mr. Erney replied affirmatively and that the suggested collection policy targets those individuals that have not communicated with the Department or USFIW.

Ms. Coughenour stated that the disconnect amount appears to be a good idea to prevent past due amounts from becoming too high and thus causing an individual to avoid contacting the Department or USFIW. Mr. Erney responded that the past practice of IWC is what determined the disconnect amount.

Ms. Howard stated that may be so however that there a number of people who may be able to reach the amount with a family very quickly. She added that the policy appears rigid and that this policy will appear new to people.

Chairperson Mutz asked if the suggested policy was IWC policy. Mr. Erney stated affirmatively. Ms. Howard asked if IWC policy was enforced. Mr. Erney stated he did not have that information but that write-offs did not occur recently however he believes the policy was enforced.

Mr. Odle asked if the days are cumulative. Mr. Erney responded affirmatively. Mr. Odle asked if the time sequence of the policy was employed by IWC. Mr. Erney stated some changes have been made. Chairperson Mutz asked USFIW if it agrees with the proposed policy.

Tom Bruns, Vice President of Customer and Community Affairs of USFIW, stated the expansion of time before disconnect from 7 to 14 days is sound. Chairperson Mutz asked if the Board is required to hear this matter. Mr. Wright stated that the matter is before the Board because as part of the sale of the UDC assets collection rate incentives were addressed and that the Department agreed to subsequently address the collection policy.

Mr. Hudson asked if the 21 day after delinquency reminder consistent with IWC policy. Mr. Bruns responded affirmatively. Mr. Odle asked if this policy will impact year end receivable balances for 2002. Mr. Erney responded affirmatively adding \$1.3 million will be written off. Mr. Odle asked if that is consistent with prior years. Mr. Erney stated that such a comparison is difficult to do because no write-offs have occurred since November 2001.

Mr. Odle asked if the written off amounts are pursued via a collection agency after those amounts are written off. Mr. Erney stated no. He added that write offs do not occur until approximately two months after the account has been delivered to a collection agency.

Chairperson Mutz asked for motions to adopt the resolution. A motion was made and seconded. Chairperson Mutz determined no further discussion was indicated on the matter. The Board unanimously adopted the resolution.

### **VIII. Other Business**

Mr. Glenn Pratt stated he is concerned that USFIW is not communicating to address issues and that USFIW per contract is required to form its Citizens Advisory Group and that he is unable to determine from USFIW when and where this group meets. He also stated that USFIW is supposedly working with IUPUI to develop a study on nutrients and that despite recommendations that USFIW conduct this study in conjunction with outside consultation of citizens, USFIW has chosen not to follow this recommendation. Mr. Pratt concluded that given the aforementioned, USFIW's study will not be adequate. Mr. Pratt also stated that USFIW has not applied for required federal NPDES permits.

Chairperson Mutz stated that those charges are fairly serious and that the Department will address the matters. Mr. Kimbell stated that last month Mr. Pratt mentioned the names of people who are part of a nutritional task force and if Mr. Pratt is representing that group before the Board. Mr. Pratt stated no but noted other environmental people are present such as Mary Anderson with MECANNA and Suzy Zimmerman of the Sierra Club.

Ms. Anderson stated that she believes the disconnect policy is harsh. Ms. Anderson suggested that the Department's growth policy should account for upgrades of existing facilities. She added that it should consider addressing service gaps and not just the concerns of developers. Ms. Anderson stated that per the management agreement, USFIW is to address low flow issues and hoped USFIW would do so. She also affirmed Mr. Pratt's comments concerning the Citizens Advisory Group ("CAG").

Mr. Odle asked if the CAG exists. Mr. Wright responded affirmatively. Mr. Odle stated that once the report with IUPUI is complete, it shall be a public document. Mr. Odle asked if USFIW is operating pursuant to federal and state law. Mr. Wright stated USFIW is required to do so however he would have to defer to USFIW on this matter currently. Mr. Curry stated that Shrewsberry & Associates is charged with examining this matter and that he expects to receive a report from it shortly. Mr. Odle asked that USFIW's monthly report include disconnect numbers. Mr. Odle asked if staff could make a listing of the number of the homes that does not have safe drinking water. Mr. Curry stated he could do so.

Ms. Coughenour stated that Health and Hospital has not come before the City County Council Public Works Committee in a couple of years to state certain residences do not have safe drinking water and suggested that Health and Hospital be a resource for such data. Chairperson Mutz underscored that USFIW's financial return is based on how well it meets the terms of the management agreement.

A motion was made and seconded to adjourn the meeting. The Board unanimously voted to adjourn the meeting at 7:00 p.m.

Approved this 19th day of December 2002.

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John Mutz, Chairperson

Attest:

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S. Michael Hudson,  
Secretary-Treasurer

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